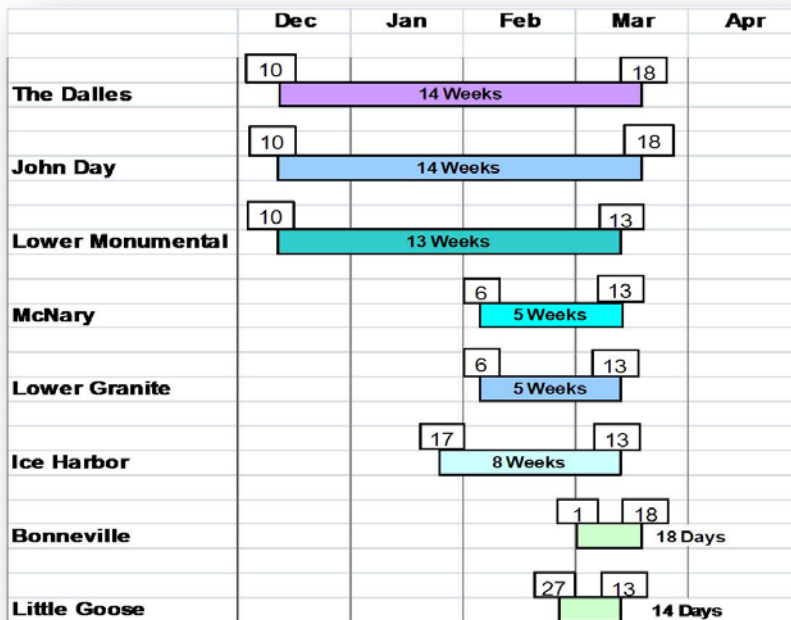


Extended Navigation Lock Outage: Fuel Supply Impacts to Eastern Washington

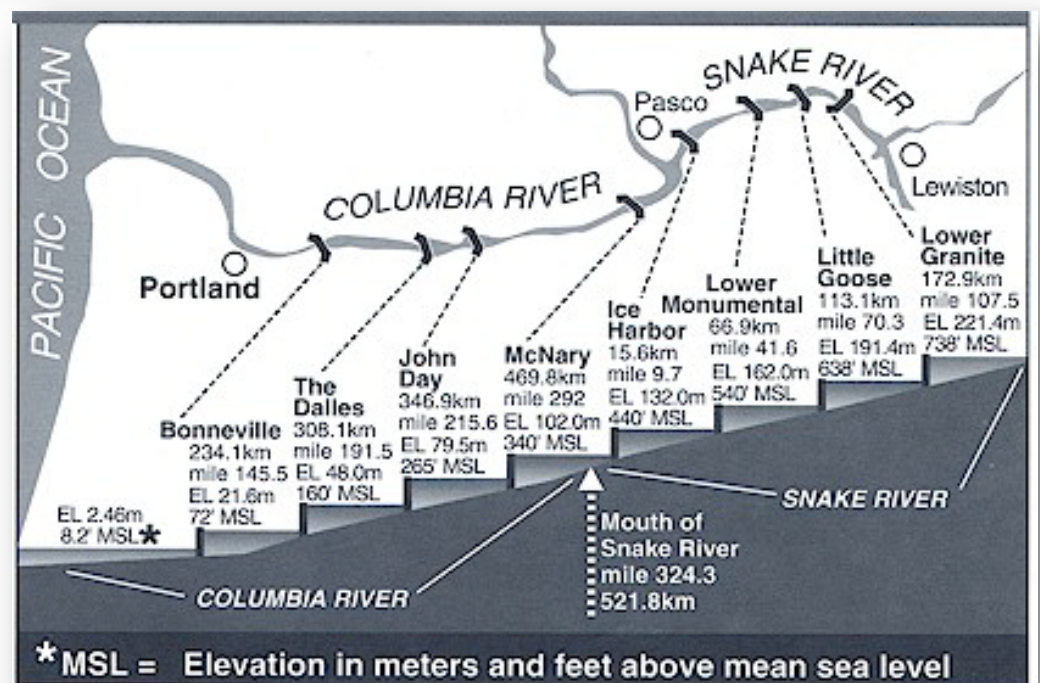
Columbia & Snake Rivers: December 2010 - March 2011

The U.S. Army Corps of Engineers (USACE) Portland and Walla Walla Districts are planning an extended lock closure December 2010 through March 2011 to replace the downstream navigation lock gates at The Dalles, John Day and Lower Monumental dams. These gates range in size from 350 to 1,000 tons, and will require 12-14 weeks to install and test. Other locks in the system will also undergo outages ranging from routine 2-week maintenance outages to more extensive 8-week repair outages.



No waterborne transportation on the Columbia/Snake navigation system will be possible during this outage. While the USACE regularly shuts down locks for a week or two each year, they have never been closed for such an extended period. USACE recognizes the impact this outage has on river commerce in Washington, Oregon, and Idaho. This system is a vital part of the Pacific Northwest's commercial transportation network, however, if these gates are not replaced, the facilities will eventually become unsafe to use.

The alternative to this planned, coordinated outage is an unplanned emergency outage that could shut down the navigation locks for a year or more. Completing this project will help USACE assure the viability of the Columbia-Snake navigation system.



Anticipated Fuel Outlook for Eastern Washington Communities

Under normal conditions, gasoline, diesel, aviation fuels, and bio fuels are transported by barge from petroleum distribution terminals at the Port of Portland to the Port of Pasco, Washington to supply eastern Washington and Oregon communities. During winter months, approximately 35,000 Barrels per day (Bbl/day) or 1.47 million gallons/day of mainly gasoline and diesel fuel are transported up river. Once product arrives at the distribution terminal in Pasco, the fuel is then loaded into the Chevron pipeline for delivery to Spokane, or onto tanker trucks where it is transported throughout eastern Washington and Oregon. The 35,000 Bbl/day will need to be replaced one of four ways:

- Through reduced demand due to higher prices;
- Through the use of excess terminal and emergency barge storage capacity;
- Through the use of excess capacity on pipelines from Billings, MT, and Salt Lake City, UT; and
- Through increased use of tanker trucks and tanker rail cars.

It is not possible to know precisely what the impact will be to fuel prices and supply. Price increases can be expected in eastern Washington. While price increases are not desirable, they are fundamental to the way markets work, dampening demand and drawing supply to where it is most needed.

The greater concern is the potential for shortages. Replacing 35,000 Bbl/day will not be easy. Spot shortages may occur, requiring local distributors to seek gasoline and diesel supplies from as far away as Portland, Billings and Salt Lake City. The most serious concern, of course, is weather. With much of the replacement product moving by rail and road during wintertime, weather conditions could play a more significant role in the supply of petroleum products.

The following steps are being taken, or considered, to get through the lock closure.

Petroleum Industry

Petroleum companies are evaluating all fuel supply points and distribution options throughout the region to ensure adequate supply and timely fuel deliveries throughout the duration of the outage.

Excess pipeline capacity on the Yellowstone Pipeline from Billings, Montana, and the Chevron Pipeline from Salt Lake City, Utah will be used to meet demand.

Tidewater Barge Lines will pre-stage six barges containing a total of 228,000 barrels of refined petroleum product near the Pasco, Washington terminal prior to the start of the outage. Terminals in eastern Washington and Oregon, and others in Idaho, Montana and Utah will be filled.

The industry is also working with refineries in Western Washington, Billings, Montana, Salt Lake City, Utah, and Northern California to acquire adequate supply. Product normally transported by barge will shift to other transportation modes. The US Coast Guard (USCG) expects an increase of approximately 1,750 tanker truck shipments dispersed over several major highways during the four month closure (these numbers are relayed for planning purposes only and are subject to change).

Government Agencies

The Washington State Department of Commerce (Commerce) and, in Oregon, the Oregon Department of Energy (ODOE) are in regular contact with the petroleum companies and will monitor supply and prices throughout the outage.

Commerce and ODOE also are in contact with the US Department of Energy (USDOE) discussing regulatory and other options that could free up additional product should a shortage occur.

Commerce and ODOE, as is their regular practice, also are prepared to implement energy contingency plans at state Emergency Operations Centers during the worst snow and ice storms.

Eastern Washington Consumers

Consumers in eastern Washington can take some actions to ease supply concerns. Essential public services and businesses should enter the outage period with full back up storage tanks, and should be in close contact with distributors. Farmers and others with storage tanks should consider filling them for emergency fuel supplies, even if they are not normally needed until spring.

Generally, citizens can use normal purchasing practices. Topping off tanks is not recommended because it creates traffic jams at stations, but tanks should not be left too low, especially when storms are forecast. Should a real emergency occur, additional steps can be taken (such as reducing discretionary driving) that are not necessary under normal circumstances. Citizens should consider combining trips, which saves gasoline and reduces the impact of higher prices.

Washington State Department of Commerce - Authorities

RCW 43.21F authorizes the Department of Commerce to prepare for and respond to potential petroleum shortages or disruptions that threaten the health and safety of Washingtonians. Commerce is working with USACE, the USCG Sector Columbia River, USDOE, regional states, and petroleum industry partners to ensure adequate fuel is available to eastern Washington communities as a result of the USACE extended lock closure.

For More Information

USACE Extended Lock Closure

Portland District

(503) 808-4510

Walla Walla District

(509) 527-7020

<http://www.nwp.usace.army.mil/navigation/lockoutage.asp>

Washington Fuel Outlook

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